

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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	:
STARMEDIA NETWORK, INC.,	:
Plaintiff,	:
	:
-v-	:
	:
STAR MEDIA INC.,	:
Defendant.	:
	:
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00 CIV. 4647 (DLC)
OPINION AND ORDER

DENISE COTE, District Judge:

Plaintiff Starmedia Network, Inc. filed this action on June 22, 2000, alleging that Star Media Inc.'s domain name and corporate name infringe the plaintiff's trademark rights. Defendant moved to dismiss the complaint for lack of personal jurisdiction. On October 13, 2000, the Court allowed plaintiff to conduct discovery on the issue of personal jurisdiction. For the reasons stated below, defendant's motion is denied.

BACKGROUND

Plaintiff is a Delaware corporation with its principal place of business in New York. Plaintiff provides an Internet "portal" in the Spanish and Portugese languages. Through its website, which is named "starmedia.com", plaintiff provides a variety of information and services. Defendant, a Washington company with its principal place of business in the state of Washington, is a wholesale seller of software that recently launched a website called "starmediausa.com." Plaintiff claims that defendant's domain name infringes plaintiff's federally registered "STARMEDIA" marks.

The defendant's website includes a chart of shipping costs

by time zone that comprises the entire continental United States. The site is interactive: although customers cannot purchase products through the site, they can register with the site and use the site to send comments to defendant. A company that wishes to sell the defendant's software can download a dealer application from the website. In a password protected area for registered users, product and pricing information is available to existing customers. Defendant estimates that only one out of 20 or 30 customers obtain a password.

While the defendant has sold goods in several states, including New Jersey, it has not sold goods in New York. The defendant has only two employees, and approximately 200 customers.

At the time defendant filed the motion to dismiss, it was disputing, inter alia, that it could reasonably expect its actions to have consequences in New York and that it derived substantial revenue from interstate commerce. Defendant has since stipulated that it receives substantial revenue from interstate commerce. The defendant also admits that it solicits business nationwide via the website and one of the purposes of its website is to attract new customers, including customers from New York. When the defendant registered "starmediausa.com" in 1999, it discovered that plaintiff's website existed, but did not check to see what was available at starmedia.com.

DISCUSSION

In a diversity case or a case arising under a federal law

that does not provide for service of process on a party outside the state, the issue of personal jurisdiction must be determined according to the law of the forum state. See Omni Capital International v. Rudolf Wolf & Co., 484 U.S. 97, 105-10 (1987); Bensusan Restaurant Corp. v. King, 126 F.3d 25, 27 (2d Cir. 1997). "If the exercise of jurisdiction is appropriate under [the state's statutes], the court then must decide whether such exercise comports with the requisites of due process." Bensusan, 126 F.3d at 27.

It is well established that on a Rule 12(b)(2) motion to dismiss for lack of personal jurisdiction, "the plaintiff bears the burden of establishing that the court has jurisdiction over the defendant." Bank Brussels Lambert v. Fiddler Gonzalez & Rodriguez, 171 F.3d 779, 784 (2d Cir. 1999). The nature of the plaintiff's obligation, however, "varies depending on the procedural posture of the litigation." Ball v. Metallurgie Hoboken-Overpelt, S.A., 902 F.2d 194, 197 (2d Cir. 1990). Where, as here, no evidentiary hearing has been held but there has been discovery regarding personal jurisdiction, the plaintiff's burden is to make a prima facie showing which includes an averment of the facts that, if given credit by the ultimate trier of fact, would be sufficient to establish jurisdiction over the defendant. Kernan v. Kurz-Hastings, Inc., 175 F.3d 236, 240 (2d Cir. 1999).

A. Long-Arm Statute

Plaintiff argues that the Court has personal jurisdiction over defendant under Section 302(a)(3)(ii), N.Y. C.P.L.R. That

section of New York's long-arm statute provides that the Court may exercise jurisdiction over a non-domiciliary who

commits a tortious act without the state causing injury to person or property within the state . . . if he

. . .

(ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce.

N.Y. C.P.L.R. § 302(a)(3) (McKinney 1990). Thus, in order to assert personal jurisdiction under New York's long-arm statute, plaintiff must make a prima facie showing that (1) defendant committed a tortious act outside of New York, (2) plaintiff suffered harm in New York, (3) defendant should have reasonably expected its actions to have consequences in New York, and (4) defendant derives substantial revenue from interstate commerce.

The principal issue in dispute regarding long-arm jurisdiction is whether the defendant should reasonably have expected its actions to have consequences in New York; the plaintiff has clearly met its burden on the other three factors. As noted, the defendant has stipulated that it derives substantial revenue from interstate commerce. Where an Internet site displays allegedly infringing marks, the tort is deemed to be committed where the website is created and/or maintained, which is Washington. See Cable News Network, L.P., L.L.L.P. v. Gosms.com, Inc., No. 00 Civ. 4812 (LMM), 2000 WL 1678039, at *3 (S.D.N.Y. Nov. 6, 2000) (collecting cases). Under New York law, injury "within the state" includes harm to a business in the New

York market through lost sales or customers, as well as harm and threatened harm in the New York market resulting from the confusion and deception of New York computer users. See Citigroup Inc. v. City Holding Co., 97 F. Supp. 2d 549, 568 (S.D.N.Y. 2000); American Network v. Access America/Connect Atlanta, Inc., 975 F. Supp. 494, 497 (S.D.N.Y. 1997).

Plaintiff's allegations of harm resulting from the potential for confusion and deception satisfy the requirement of an injury "within the state." See Cable News, 2000 WL 1678039, at *4; Telebyte, Inc. v. Kendaco, Inc., 105 F. Supp. 2d 131, 135-36 (E.D.N.Y. 2000).

Turning to the remaining factor, to establish a reasonable expectation of consequences in New York, the plaintiff must show an effort by the defendant to serve the New York market. "New York courts have asserted that the simple likelihood or foreseeability 'that a defendant's product will find its way into New York does not satisfy this element, and that purposeful availment of the benefits of the laws of New York such that the defendant may reasonably anticipate being haled into New York court is required.'" Kernan, 175 F.3d at 241 (citation omitted). Thus, the defendant must make "'a discernable effort to directly or indirectly serve the New York market.'" Id. (citation omitted). Applying these principles to a claimed trademark infringement through a website, a court has recently observed that,

[i]t is now well established that one does not subject himself to the jurisdiction of the courts in another

state simply because he maintains a web site which residents of that state visit. However, one who uses a web site to make sales to customers in a distant state can thereby become subject to the jurisdiction of that state's courts.

National Football League v. Miller, No. 99 Civ. 11846 (JSM), 2000 WL 335566, at *1 (S.D.N.Y. Mar. 30, 2000) (citing Bensusan, 126 F.3d 25).

The plaintiff has met its prima facie burden of showing that defendant made an effort to serve the New York market, Kernan, 175 F.3d at 242, and thus should have reasonably expected that its infringement of plaintiff's trademark would have consequences in New York. The defendant used its website to attract and service business across the nation, including in New York, and has received substantial revenue from those interstate sales. Thus, this case can be distinguished from Cybersell, Inc. v. Cybersell, Inc., 130 F.3d 414, 419 (9th Cir. 1997), where the court refused to extend personal jurisdiction based on a slightly interactive webpage where the business was concentrated in one state except for personal contacts generated by one of the defendant's founders. The fact that the defendant has not yet made a sale in New York does not defeat jurisdiction under Section 302(a)(3). Cf. Kernan, 175 F.3d at 242 (foreign company attempted to serve New York market through distributor's contractual right to resell throughout the United States); American Network, 975 F. Supp. at 499 (offered services across the United States and had New York subscribers). But see American Info. Corp. v. American Infometrics, Inc., -- F. Supp.

2d --, No. CIV. JFM-003288, 2001 WL 370109, at *4 (D. Md. Apr. 12, 2001).

B. Due Process

The federal due process jurisdictional inquiry has two parts, the "minimum contacts" inquiry and the "reasonableness" inquiry. Metropolitan Life Ins. v. Robertson-Ceco Corp., 84 F.3d 560, 567 (2d Cir. 1996). The minimum contacts analysis is governed by the Supreme Court case, International Shoe Co. v. Washington, 326 U.S. 310 (1945), and its progeny. Under the minimum contact analysis, "[s]pecific jurisdiction exists when 'a State exercises personal jurisdiction over a defendant in a suit arising out of or related to the defendant's contacts with the forum.'" Metropolitan Life Ins., 84 F.3d at 567-68 (citation omitted).

In cases involving Internet activity, courts have looked at the level and nature of the information exchange occurring over the Internet to determine the reasonableness of jurisdiction. See Hsin Ten Enter. USA, Inc. v. Clark Enters., No. 00 Civ. 5878 (SAS), 2000 WL 1886583, at *4-5 (S.D.N.Y. Dec. 29, 2000); National Football League, 2000 WL 335566, at *1. Using these criteria, Internet activity has been classified using three categories: (1) "passive" websites, which make information available to visitors but do not permit an exchange of information; (2) "interactive" websites, which permit the exchange of information between the defendant and website viewers, but do not involve the actual conduct of business; and

(3) websites in which the defendant clearly does business over the Internet, e.g., where a visitor may enter into a contract or purchase goods or services through the website. See Citigroup, 97 F. Supp. 2d at 565; Hsin Ten, 2000 WL 1886583, at *4. It is generally agreed that jurisdiction is not properly exercised in the first category, but is properly exercised in the last category. When considering the middle category, that is, sites which are interactive but are not used to conduct business, courts look to the "level of interactivity and commercial nature of the exchange of information that occurs on the Website" to determine whether jurisdiction should be exercised. Mink v. AAAA Dev. LLC, 190 F.3d 333, 336 (5th Cir. 1999) (citation omitted); Cybersell, 130 F.3d at 418.

In this case, defendant's website belongs in the second category. As discussed above, the website is interactive rather than passive. Furthermore, it is entirely commercial in nature. The level of interactivity, however, is limited. The defendant contends that it does not take online orders or sell any products directly over the Internet. It does, however, provide customers with access to certain confidential information through a password system, and does support an exchange of information through electronic mail.

Even with claims of trademark infringement arising in the context of interactive commercial websites, however, there is a serious question as to whether it would be reasonable to allow, in essence, jurisdiction over an alleged infringer "wherever the

plaintiff's principal place of business is located." American Info., 2001 WL 370109, at *3. Thus, there are sound reasons to require some further connection between the defendant and the forum state. Here, the defendant has additional contacts with New York that make the exercise of personal jurisdiction appropriate. First, the defendant knew of plaintiff's domain name before it registered "starmediausa.com" as its domain name. Therefore, the defendant knew or should have known of plaintiff's place of business, and should have anticipated being haled into New York's courts to answer for the harm to a New York plaintiff caused by using a similar mark. See Panavision Int'l L.P. v. Toeppen, 141 F.3d 1316, 1322 (9th Cir. 1998); American Network, 975 F. Supp. at 500. Coupled with this fact is the defendant's substantial income from interstate commerce and commercial use of the website to support its sales, including potentially to New York customers. In these circumstances, the plaintiff has shown prima facie evidence of "minimum contacts" with New York for purposes of specific jurisdiction under the Due Process Clause.

The second part of the due process personal jurisdiction test is determining the reasonableness of the exercise of jurisdiction. In undertaking this reasonableness analysis, the Supreme Court has identified the following factors:

- (1) the burden that the exercise of jurisdiction will impose on the defendant;
- (2) the interests of the forum state in adjudicating the case;
- (3) the plaintiff's interest in obtaining convenient and effective relief;
- (4) the interstate judicial system's interest in obtaining the most efficient resolution of the controversy; and
- (5) the shared interest of the states in furthering substantive social policies.

Kernan, 175 F.3d at 244. The only burden argued by defendant is the general inconvenience of litigating in New York. It has offered no evidence, however, to support an argument that this general burden presents any particular hardship to it. None of the other reasonableness considerations preclude the exercise of personal jurisdiction over defendant.

CONCLUSION

For the reasons stated, defendant's motion to dismiss for lack of personal jurisdiction is denied.

SO ORDERED:

Dated: New York, New York
April 23, 2001

DENISE COTE
United States District Judge